

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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Central Decatur Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Mike Frost	President	2008
Jack Parsons	Vice President	2008
Mike Stuck	Board Member	2009
Igor Takacs	Board Member (Appointed)	2007
Rose Saxton	Board Member	2009
Board of Education (After September 2007 Election)		
Mike Frost	President	2008
Jack Parsons	Vice President	2008
Mike Stuck	Board Member	2009
Rose Saxton	Board Member	2009
Igor Takacs	Board Member	2010
School Officials		
Tom Dannen	Superintendent	2008
Becky Wood	District Secretary/Treasurer	2008
Pam DeLong	Business Manager	2008
Ahlers & Cooney	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Central Decatur Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Central Decatur Community School District, Leon, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Decatur Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2009 on our consideration of Central Decatur Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Decatur Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Decatur Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,224,927 in fiscal 2007 to \$6,547,232 in fiscal 2008, while General Fund expenditures increased from \$6,416,498 in fiscal 2007 to \$6,467,693 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$549,307 in fiscal 2007 to a balance of \$628,846 in fiscal 2008, a 14.48% increase from the prior year.
- The increase in General Fund revenues is attributable to an increase in local tax and state sources in fiscal 2008. The increase in expenditures is attributable to increases in negotiated salaries and benefits received by employees. The increase in revenues was more than enough to surpass the increase in expenses during the year, thus ensuring the increase in General Fund balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Central Decatur Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Decatur Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Central Decatur Community School District acts solely as an agent or custodial for the benefit of those outside of the District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Central Decatur Community School District Annual Financial Report

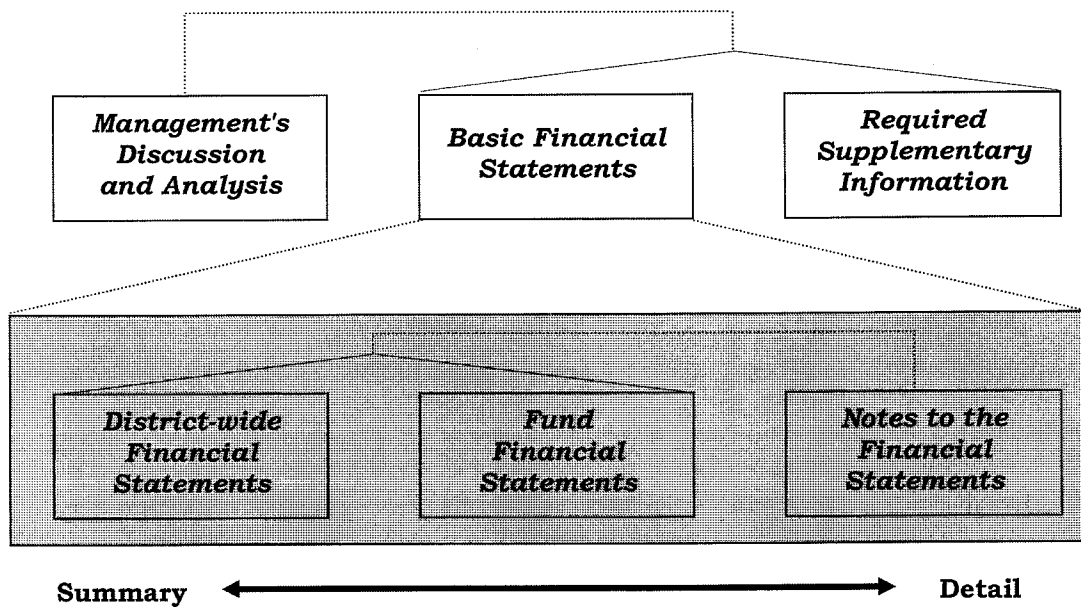


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private Purpose Trust fund.

Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 3,993,218	4,874,376	45,244	35,717	4,038,462	4,910,093	-17.75%
Capital assets	7,140,814	7,055,035	27,066	27,640	7,167,880	7,082,675	1.20%
Total assets	11,134,032	11,929,411	72,310	63,357	11,206,342	11,992,768	-6.56%
Long-term obligations	2,754,218	2,921,120	0	0	2,754,218	2,921,120	-5.71%
Other liabilities	2,680,455	3,418,714	2,644	2,151	2,683,099	3,420,865	-21.57%
Total liabilities	5,434,673	6,339,834	2,644	2,151	5,437,317	6,341,985	-14.26%
Net assets:							
Invested in capital assets, net of related debt	4,435,814	4,205,035	27,066	27,640	4,462,880	4,232,675	5.44%
Restricted	653,275	869,080	0	0	653,275	869,080	-24.83%
Unrestricted	610,270	515,462	42,600	33,566	652,870	549,028	18.91%
Total net assets	\$ 5,699,359	5,589,577	69,666	61,206	5,769,025	5,650,783	2.09%

The District's combined net assets increased by 2.09%, or \$118,242, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$215,805, or 24.83% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$103,842, or 18.91%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4 Changes of Net Assets								
	Governmental Activities		Business-type Activities		Total School District		Total Change	
	2008	2007	2008	2007	2008	2007	2007-08	
Revenues:								
Program revenues:								
Charges for services	\$ 522,519	385,292	192,315	183,659	714,834	568,951	25.64%	
Operating grants and contributions and restricted interest	1,280,804	1,149,066	206,463	208,235	1,487,267	1,357,301	9.58%	
Capital grants and contributions and restricted interest	5,593	0	0	0	5,593	0	100.00%	
General revenues:								
Property tax	2,118,067	1,825,892	0	0	2,118,067	1,825,892	16.00%	
Local option sales and services tax	397,477	413,343	0	0	397,477	413,343	-3.84%	
Unrestricted state grants	3,253,114	3,271,272	0	0	3,253,114	3,271,272	-0.56%	
Other	200,432	309,783	85	325	200,517	310,108	-35.34%	
Total revenues	7,778,006	7,354,648	398,863	392,219	8,176,869	7,746,867	5.55%	
Program expenses:								
Governmental activities:								
Instructional	4,633,684	4,354,735	0	0	4,633,684	4,354,735	6.41%	
Support services	2,076,179	2,093,436	3,527	0	2,079,706	2,093,436	-0.66%	
Non-instructional programs	374	0	386,876	389,193	387,250	389,193	-0.50%	
Other expenses	957,987	641,554	0	0	957,987	641,554	49.32%	
Total expenses	7,668,224	7,089,725	390,403	389,193	8,058,627	7,478,918	7.75%	
Changes in net assets	109,782	264,923	8,460	3,026	118,242	267,949	-55.87%	
Beginning net assets	5,589,577	5,324,654	61,206	58,180	5,650,783	5,382,834	4.98%	
Ending net assets	\$ 5,699,359	5,589,577	69,666	61,206	5,769,025	5,650,783	2.09%	

Property tax and unrestricted state grants account for 65.69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 83.31% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the decrease in other revenue and an increase in charges for services.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. Overall, the District saw an increase in both revenues and expenditures in fiscal 2008, but the District's revenues exceeded expenditures during the year resulting in an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$7,778,006 and expenses were \$7,668,224. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,633,684	4,354,735	6.41%	3,076,075	3,061,261	0.48%
Support services	2,076,179	2,093,436	-0.82%	2,076,129	2,092,458	-0.78%
Non-instructional programs	374	0	100.00%	374	0	100.00%
Other expenses	957,987	641,554	49.32%	706,730	401,648	75.96%
Totals	<u>\$ 7,668,224</u>	<u>7,089,725</u>	<u>8.16%</u>	<u>5,859,308</u>	<u>5,555,367</u>	<u>5.47%</u>

- The cost financed by users of the District's programs was \$522,519.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,286,397.
- The net cost of governmental activities was financed with \$2,118,067 in property tax, \$397,477 in local option sales and services tax, \$3,253,114 in unrestricted state grants, \$80,769 in interest income and \$119,663 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$398,863 and expenses were \$390,403. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Central Decatur Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,156,184, below last year's ending fund balances of a \$1,467,047.

Governmental Fund Highlights

- The General Fund balance increased from \$549,307 in fiscal 2007 to \$628,846 in fiscal 2008. The increase was due primarily to an increase in local tax revenues during the year.

- The Capital Projects Fund balance decreased from \$567,413 in fiscal 2007 to \$234,032 in fiscal 2008. This was due to increased facilities acquisitions expenditures as compared to the previous year.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$61,206 at June 30, 2007 to \$69,666 at June 30, 2008, representing an increase of 13.82%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$722,622 less than budgeted revenues, a variance of 8.28%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Initially, total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$7.17 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.2% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$354,677.

The original cost of the District's capital assets was \$11,800,119. Governmental funds account for \$11,570,618 with the remainder of \$229,501 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$714,947 at June 30, 2008, compared to \$795,086 reported at June 30, 2007. This represents a 10.08% decrease.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 29,300	29,300	0	0	29,300	29,300	0.00%
Buildings	6,373,664	6,204,763	0	0	6,373,664	6,204,763	2.72%
Land improvements	49,969	53,526	0	0	49,969	53,526	-6.65%
Machinery and equipment	687,881	767,446	27,066	27,640	714,947	795,086	-10.08%
Total	\$ 7,140,814	7,055,035	27,066	27,640	7,167,880	7,082,675	1.20%

Long-Term Debt

At June 30, 2008, the District had \$2,754,218 in general obligation and other long-term debt outstanding. This represents a decrease of 5.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding general obligation bonds of \$2,705,000 at June 30, 2008.

The District had total outstanding Early Retirement payable of \$49,218 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 2,705,000	2,850,000	-5.1%
Early Retirement	49,218	71,120	-30.8%
Totals	<u>\$ 2,754,218</u>	<u>2,921,120</u>	<u>-5.7%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The error in enrollment count from the 2005 fiscal year started reducing state aid beginning with fiscal year 2007 and will continue until the end of fiscal year 2009.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pam DeLong, Business Manager, Central Decatur Community School District, 1201 NE Poplar Street, Leon, Iowa, 50144.

BASIC FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 600,923	0	600,923
Other	810,217	26,862	837,079
Receivables:			
Property tax:			
Delinquent	41,543	0	41,543
Succeeding year	1,998,791	0	1,998,791
Income surtax	167,451	0	167,451
Accounts	137,421	1,245	138,666
Accrued ISCAP interest(Note 5)	9,009	0	9,009
Due from other governments	227,863	0	227,863
Inventories	0	17,137	17,137
Capital assets, net of accumulated depreciation(Note 6)	7,140,814	27,066	7,167,880
TOTAL ASSETS	11,134,032	72,310	11,206,342
LIABILITIES			
Accounts payable	59,645	0	59,645
Salaries and benefits payable	16	0	16
ISCAP warrants payable(Note 5)	599,000	0	599,000
ISCAP accrued interest payable (Note 5)	8,923	0	8,923
ISCAP premiums payable	3,208	0	3,208
Accrued interest payable	10,872	0	10,872
Deferred revenue:			
Succeeding year property tax	1,998,791	0	1,998,791
Unearned revenues	0	2,644	2,644
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	155,000	0	155,000
Early retirement payable	27,343	0	27,343
Portion due after one year:			
General obligation bonds payable	2,550,000	0	2,550,000
Early retirement payable	21,875	0	21,875
TOTAL LIABILITIES	5,434,673	2,644	5,437,317
NET ASSETS			
Invested in capital assets, net of related debt	4,435,814	27,066	4,462,880
Restricted for:			
Talented and gifted	28,945	0	28,945
Salary improvement program	3,198	0	3,198
Professional development	9,328	0	9,328
Market factor	5,323	0	5,323
Market factor incentives	1,056	0	1,056
Statewide voluntary preschool program	78,087	0	78,087
Management levy	43,485	0	43,485
Physical plant and equipment levy	35,327	0	35,327
Capital projects	234,032	0	234,032
Debt service	11,995	0	11,995
Other special revenue purposes	202,499	0	202,499
Unrestricted	610,270	42,600	652,870
TOTAL NET ASSETS	\$ 5,699,359	69,666	5,769,025

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Govern- mental Activities	Business- Type Activities	
Expenses							
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,166,926	270,863	995,516	0	(900,547)	0	(900,547)
Special instruction	1,361,384	91,509	39,624	0	(1,230,251)	0	(1,230,251)
Other instruction	1,105,374	160,097	0	0	(945,277)	0	(945,277)
	4,633,684	522,469	1,035,140	0	(3,076,075)	0	(3,076,075)
Support services:							
Student services	130,397	0	0	0	(130,397)	0	(130,397)
Instructional staff services	245,886	0	0	0	(245,886)	0	(245,886)
Administration services	670,413	0	0	0	(670,413)	0	(670,413)
Operation and maintenance of plant services	588,394	0	0	0	(588,394)	0	(588,394)
Transportation services	441,089	50	0	0	(441,039)	0	(441,039)
	2,076,179	50	0	0	(2,076,129)	0	(2,076,129)
Non-instructional programs	374	0	0	0	(374)	0	(374)
Other expenditures:							
Facilities and acquisitions	418,076	0	0	5,593	(412,483)	0	(412,483)
Long-term debt interest	136,512	0	0	0	(136,512)	0	(136,512)
AEA flowthrough	245,664	0	245,664	0	0	0	0
Depreciation(unallocated) *	157,735	0	0	0	(157,735)	0	(157,735)
	957,987	0	245,664	5,593	(706,730)	0	(706,730)
Total governmental activities	7,668,224	522,519	1,280,804	5,593	(5,859,308)	0	(5,859,308)
Business-Type activities:							
Support services:							
Administration services	104	0	0	0	0	(104)	(104)
Operation and maintenance of plant services	3,423	0	0	0	0	(3,423)	(3,423)
Non-instructional programs:							
Nutrition services	386,876	192,315	206,463	0	0	11,902	11,902
Total business-type activities	390,403	192,315	206,463	0	0	8,375	8,375
Total	\$ 8,058,627	714,834	1,487,267	5,593	(5,859,308)	8,375	(5,850,933)
General Revenues:							
Local tax for:							
General purposes				\$ 1,819,259	0		1,819,259
Debt Service				263,335	0		263,335
Capital outlay				35,473	0		35,473
Local option sales and services tax				397,477	0		397,477
Unrestricted state grants				3,253,114	0		3,253,114
Unrestricted investment earnings				80,769	85		80,854
Other				119,663	0		119,663
Total general revenues				5,969,090	85		5,969,175
Changes in net assets				109,782	8,460		118,242
Net assets beginning of year				5,589,577	61,206		5,650,783
Net assets end of year				\$ 5,699,359	69,666		5,769,025

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 600,923	0	0	600,923
Other	511,755	79,860	218,602	810,217
Receivables:				
Property tax:				
Delinquent	33,054	0	8,489	41,543
Succeeding year	1,560,412	0	438,379	1,998,791
Income surtax	167,451	0	0	167,451
Interfund	15,661	0	82,195	97,856
Accounts	137,421	0	0	137,421
Accrued ISCAP interest(Note 5)	9,009	0	0	9,009
Due from other governments	70,781	157,082	0	227,863
TOTAL ASSETS	\$ 3,106,467	236,942	747,665	4,091,074
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 82,195	0	15,661	97,856
Accounts payable	56,416	2,910	319	59,645
Salaries and benefits payable	16	0	0	16
ISCAP warrants payable(Note 5)	599,000	0	0	599,000
ISCAP accrued interest payable(Note 5)	8,923	0	0	8,923
ISCAP premiums payable	3,208	0	0	3,208
Deferred revenue:				
Succeeding year property tax	1,560,412	0	438,379	1,998,791
Total liabilities	2,477,621	2,910	454,359	2,934,890
Fund balances:				
Reserved for:				
Talented and gifted	28,945	0	0	28,945
Salary improvement program	3,198	0	0	3,198
Professional development	9,328	0	0	9,328
Market factor	5,323	0	0	5,323
Market factor incentives	1,056	0	0	1,056
Statewide voluntary preschool program	78,087	0	0	78,087
Debt service	0	0	11,995	11,995
Unreserved	502,909	234,032	281,311	1,018,252
Total fund balances	628,846	234,032	293,306	1,156,184
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,106,467	236,942	747,665	4,091,074

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 1,156,184
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,140,814
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	167,451
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(10,872)
Long-term liabilities, including early retirement payable, general obligation bonds payable and state aid workout plan payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(2,754,218)
Net assets of governmental activites (page 13)	<u>\$ 5,699,359</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,551,919	397,477	398,697	2,348,093
Tuition	287,073	0	0	287,073
Other	167,745	5,557	262,576	435,878
State sources	4,184,632	0	2	4,184,634
Federal sources	349,284	0	5,593	354,877
Total revenues	6,540,653	403,034	666,868	7,610,555
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,089,418	0	26,954	2,116,372
Special instruction	1,361,384	0	0	1,361,384
Other instruction	874,825	0	244,112	1,118,937
	4,325,627	0	271,066	4,596,693
Support services:				
Student services	128,839	0	0	128,839
Instructional staff services	213,803	32,083	0	245,886
Administration services	653,414	0	6,401	659,815
Operation and maintenance of plant services	467,532	0	122,814	590,346
Transportation services	421,148	0	13,439	434,587
	1,884,736	32,083	142,654	2,059,473
Non-instructional programs	374	0	0	374
Other expenditures:				
Facilities acquisitions	0	691,153	50,002	741,155
Long-term debt:				
Principal	0	0	145,000	145,000
Interest and fiscal charges	0	0	137,025	137,025
AEA flowthrough	245,664	0	0	245,664
	245,664	691,153	332,027	1,268,844
Total expenditures	6,456,401	723,236	745,747	7,925,384
Excess(deficiency) of revenues over(under) expenditures	84,252	(320,202)	(78,879)	(314,829)
Other financing sources(uses):				
Transfer in	2,613	4,821	24,471	31,905
Transfer out	(11,292)	(18,000)	(2,613)	(31,905)
Sale of equipment	3,966	0	0	3,966
Total other financing sources(uses)	(4,713)	(13,179)	21,858	3,966
Net change in fund balances	79,539	(333,381)	(57,021)	(310,863)
Fund balance beginning of year	549,307	567,413	350,327	1,467,047
Fund balance end of year	\$ 628,846	234,032	293,306	1,156,184

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (310,863)

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 436,884	
Depreciation expense	<u>(351,105)</u>	85,779

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets	145,000
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Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.	167,451
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	513
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Early retirement	<u>21,902</u>

Changes in net assets of governmental activities (page 14)	<u>\$ 109,782</u>
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SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 26,862
Receivables:	
Accounts	1,245
Inventories	17,137
Capital assets, net of accumulated depreciation(Note 6)	27,066
TOTAL ASSETS	<u>72,310</u>
 LIABILITIES	
Unearned revenue	2,644
TOTAL LIABILITIES	<u>2,644</u>
 NET ASSETS	
Invested in capital assets	27,066
Unrestricted	42,600
TOTAL NET ASSETS	<u>\$ 69,666</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 192,315
Operating expenses:	
Support services:	
Administrative services:	
Services	104
Operation and maintenance of plant services:	
Services	3,423
	3,527
Non-instructional programs:	
Food service operations:	
Salaries	146,204
Benefits	70,234
Services	533
Supplies	166,182
Other	151
Depreciation	3,572
	386,876
Total operating expenses	390,403
Operating loss	(198,088)
Non-operating revenues:	
State sources	4,053
Federal sources	202,410
Interest income	85
Total non-operating revenues	206,548
Change in net assets	8,460
Net assets beginning of year	61,206
Net assets end of year	\$ 69,666

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 193,092
Cash received from miscellaneous	462
Cash payments to employees for services	(216,438)
Cash payments to suppliers for goods or services	(145,033)
Net cash used in operating activities	<u>(167,917)</u>
Cash flows from non-capital financing activities:	
State grants received	4,053
Federal grants received	<u>177,064</u>
Net cash provided by non-capital financing activities	<u>181,117</u>
Cash flows from capital financing activities:	
Purchase of capital assets	<u>(2,998)</u>
Cash flows from investing activities:	
Interest on investments	<u>85</u>
Net increase in cash and cash equivalents	10,287
Cash and cash equivalents at beginning of year	<u>16,575</u>
Cash and cash equivalents at end of year	<u>\$ 26,862</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (198,088)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	25,346
Depreciation	3,572
Decrease in inventories	14
Decrease in accounts receivable	746
Increase in unearned revenue	493
Net cash used in operating activities	<u>\$ (167,917)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR
END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE
SHEET:

Current assets:	
Cash and pooled investments	<u>\$ 26,862</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$25,346.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 82,159</u>
NET ASSETS	
Reserved for scholarships	63,182
Unreserved	<u>18,977</u>
TOTAL NET ASSETS	<u><u>\$ 82,159</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 6,520
Donations	555
Total additions	<u>7,075</u>
Deductions:	
Non-instructional programs:	
Scholarships awarded	<u>3,300</u>
Change in net assets	3,775
Net assets beginning of year	<u>78,384</u>
Net assets end of year	<u>\$ 82,159</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Central Decatur Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Leon, Iowa, and the predominate agricultural territory in Decatur County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central Decatur Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Central Decatur Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Decatur County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District had no investments as of June 30, 2008.

(3) **Interfund Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 18,000
Capital Projects	General	4,821
PPEL	General	6,471
General	Activity	2,613
Total		<u>\$ 31,905</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Due From and Due to Other Funds

At June 30, 2008 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
Support Trust	General	\$ 82,195
General	Management	15,661
Total		<u>\$ 97,856</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Banker's Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/08	1/21/09	\$ 600,923	9,009	599,000	8,923

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity was noted in the General Fund for the year ended June 30, 2008.

The warrants bear interest and the available proceeds of the warrant are invested at the interest rates shown below:

Series	Interest Rate on Warrants	Interest Rates on Investments
2007-08B	3.750%	3.451%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,300	0	0	29,300
Total capital assets not being depreciated	29,300	0	0	29,300
Capital assets being depreciated:				
Buildings	8,521,636	323,079	0	8,844,715
Land improvements	236,842	0	0	236,842
Machinery and equipment	2,382,899	113,805	36,943	2,459,761
Total capital assets being depreciated	11,141,377	436,884	36,943	11,541,318
Less accumulated depreciation for:				
Buildings	2,316,873	154,178	0	2,471,051
Land improvements	183,316	3,557	0	186,873
Machinery and equipment	1,615,453	193,370	36,943	1,771,880
Total accumulated depreciation	4,115,642	351,105	36,943	4,429,804
Total capital assets being depreciated, net	7,025,735	85,779	0	7,111,514
Governmental activities capital assets, net	\$ 7,055,035	85,779	0	7,140,814
Business-type activities:				
Machinery and equipment	\$ 226,503	2,998	0	229,501
Less accumulated depreciation	198,863	3,572	0	202,435
Business-type activities capital assets, net	\$ 27,640	(574)	0	27,066

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:	
Regular	\$ 98,422
Other	1,311
Support services:	
Student	1,558
Administration	10,598
Operation and maintenance	2,979
Transportation	78,502
	<u>193,370</u>
Unallocated depreciation	<u>157,735</u>
Total governmental activities depreciation expense	<u>\$ 351,105</u>

Business-type activities:

Food services	<u>\$ 3,572</u>
---------------	-----------------

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,850,000	0	145,000	2,705,000	155,000
Early Retirement	71,120	0	21,902	49,218	27,343
Total	<u>\$ 2,921,120</u>	<u>0</u>	<u>166,902</u>	<u>2,754,218</u>	<u>182,343</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonds, which will be paid using Debt Service Funds, are as follows:

Year	Bond Issue dated August 1, 2001				
Ending	Interest				
June 30,	Rates	Principal	Interest	Total	
2009	4.25 %	\$ 155,000	130,462	285,462	
2010	4.35	160,000	123,875	283,875	
2011	4.45	165,000	116,915	281,915	
2012	4.60	175,000	109,573	284,573	
2013	4.70	185,000	101,523	286,523	
2014	4.80	195,000	92,827	287,827	
2015	4.85	205,000	83,468	288,468	
2016	5.00	215,000	73,525	288,525	
2017	5.00	225,000	62,775	287,775	
2018	5.00	235,000	51,525	286,525	
2019	5.00	250,000	39,775	289,775	
2020	5.00	265,000	27,275	292,275	
2021	5.10	275,000	14,025	289,025	
Total		\$ 2,705,000	1,027,543	3,732,543	

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees. Eligible employees must be at least age fifty-five and employees must have completed twelve years of service to the District. Employees complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$5,080 per year with a maximum of five years or until the employee reaches age sixty-five. Early retirement benefits paid during the year ended June 30, 2008, totaled \$21,902. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

State Aid Workout Plan

Due to discrepancies in the certified enrollment count as of the year ended June 30, 2005, the District has a workout plan to reimburse the state for overpayments received by the District. District's state aid will be reduced by \$32,774 per year during fiscal years 2007 through 2009. As of the year ended June 30, 2008, the District has \$32,775 remaining to be taken from state aid payments.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$232,040, \$215,610, and \$209,482 respectively, equal to the required contributions for each year.

(9) Risk Management

Central Decatur Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$245,664 for

the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,071,044	192,400	3,263,444	3,303,590	3,303,590	(40,146)
State sources	4,184,634	4,053	4,188,687	4,145,879	4,145,879	42,808
Federal sources	354,877	202,410	557,287	1,282,571	1,282,571	(725,284)
Total revenues	7,610,555	398,863	8,009,418	8,732,040	8,732,040	(722,622)
Expenditures:						
Instruction	4,596,693	0	4,596,693	5,598,522	5,598,522	1,001,829
Support services	2,059,473	3,527	2,063,000	2,203,128	2,203,128	140,128
Non-instructional programs	374	386,876	387,250	487,607	487,607	100,357
Other expenditures	1,268,844	0	1,268,844	1,341,031	1,341,031	72,187
Total expenditures	7,925,384	390,403	8,315,787	9,630,288	9,630,288	1,314,501
Excess(deficiency) of revenues over(under) expenditures	(314,829)	8,460	(306,369)	(898,248)	(898,248)	591,879
Other financing sources, net	3,966	0	3,966	4,000	4,000	(34)
Excess(deficiency) of revenues over(under) expenditures	(310,863)	8,460	(302,403)	(894,248)	(894,248)	591,845
Balance beginning of year	1,467,047	61,206	1,528,253	914,789	914,789	613,464
Balance end of year	\$ 1,156,184	69,666	1,225,850	20,541	20,541	1,205,309

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Support Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 57,018	77,828	34,571	42,795	212,212	6,390	218,602
Receivables:							
Property tax:							
Current year delinquent	2,128	0	756	0	2,884	5,605	8,489
Succeeding year	130,000	0	36,516	0	166,516	271,863	438,379
Interfund	0	0	0	82,195	82,195	0	82,195
TOTAL ASSETS	\$ 189,146	77,828	71,843	124,990	463,807	283,858	747,665
LIABILITIES AND FUND BALANCES							
Liabilities:							
Interfund	\$ 15,661	0	0	0	15,661	0	15,661
Accounts payable	0	319	0	0	319	0	319
Deferred revenue:							
Succeeding year property tax	130,000	0	36,516	0	166,516	271,863	438,379
Total liabilities	145,661	319	36,516	0	182,496	271,863	454,359
Fund balances:							
Reserved for:							
Debt Service	0	0	0	0	0	11,995	11,995
Unreserved fund balances	43,485	77,509	35,327	124,990	281,311	0	281,311
Total fund balances	43,485	77,509	35,327	124,990	281,311	11,995	293,306
TOTAL LIABILITIES AND FUND BALANCES	\$ 189,146	77,828	71,843	124,990	463,807	283,858	747,665

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds						Total
	Manage-	Physical		Total			Other
	ment	Plant and		Special	Debt		Nonmajor
	Levy	Equipment	Support	Revenue	Service		Governmental
	Activity	Levy	Trust	Funds			Funds
REVENUES:							
Local sources:							
Local tax	\$ 99,889	0	35,473	0	135,362	263,335	398,697
Other	12,787	245,127	1,222	2,114	261,250	1,326	262,576
State sources	1	0	0	0	1	1	2
Federal sources	0	0	5,593	0	5,593	0	5,593
TOTAL REVENUES	112,677	245,127	42,288	2,114	402,206	264,662	666,868
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	26,954	0	0	0	26,954	0	26,954
Other instruction	0	244,112	0	0	244,112	0	244,112
Support services:							
Administration services	6,401	0	0	0	6,401	0	6,401
Operation and maintenance of plant services	109,377	0	13,437	0	122,814	0	122,814
Student transportation	13,439	0	0	0	13,439	0	13,439
Other expenditures:							
Long-term debt:							
Principal	0	0	0	0	0	145,000	145,000
Interest and fiscal charges	0	0	0	0	0	137,025	137,025
Facilities acquisitions	0	0	50,002	0	50,002	0	50,002
TOTAL EXPENDITURES	156,171	244,112	63,439	0	463,722	282,025	745,747
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(43,494)	1,015	(21,151)	2,114	(61,516)	(17,363)	(78,879)
OTHER FINANCING SOURCES(USES):							
Transfer in	0	0	6,471	0	6,471	18,000	24,471
Transfer out	0	(2,613)	0	0	(2,613)	0	(2,613)
TOTAL OTHER FINANCING SOURCES(USES)	0	(2,613)	6,471	0	3,858	18,000	21,858
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES	(43,494)	(1,598)	(14,680)	2,114	(57,658)	637	(57,021)
FUND BALANCE BEGINNING OF YEAR	86,979	79,107	50,007	122,876	338,969	11,358	350,327
FUND BALANCE END OF YEAR	\$ 43,485	77,509	35,327	124,990	281,311	11,995	293,306

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Athletics:					
All Athletics	\$ 0	1,200	3,405	4,913	2,708
Season Passes	0	1,504	308	(1,196)	0
Baseball and Fundraiser	268	1,723	5,964	4,154	181
Basketball	9,896	8,507	5,841	(1,688)	10,874
Football	5,348	7,086	10,342	0	2,092
Softball and Fundraiser	407	2,942	5,755	3,705	1,299
Track	552	2,169	3,782	1,061	0
Volleyball	549	2,882	1,939	0	1,492
Golf	0	322	687	365	0
Cross Country	0	100	661	561	0
Girls Bowling	108	0	0	0	108
Wrestling	0	4,622	4,744	122	0
	17,128	33,057	43,428	11,997	18,754
Athletic Support:					
Cheerleaders	0	1,449	1,231	0	218
Drill Team	661	744	1,148	0	257
	661	2,193	2,379	0	475
Clubs:					
Cardinal Athletics	1,527	399	1,807	459	578
International Club	1,073	120	212	(75)	906
TSA Club	4,406	14,008	16,852	(250)	1,312
Drama/Play Club	3,336	2,919	1,786	0	4,469
Variety Show	1,109	448	623	0	934
Go Ape	1,660	5,138	4,672	0	2,126
National Honor Society	2,731	0	308	459	2,882
MOB	505	2,724	3,051	0	178
SADD	1,019	65	334	0	750
Academic Bowl	7	115	215	93	0
Spanish Club	402	163	434	0	131
Speech Club	0	0	231	231	0
Little Red Birds Preschool	379	1,568	1,751	0	196
Weight Club	276	7,458	7,242	0	492
Music Boosters	1,409	2,083	1,893	(150)	1,449
Central Decatur PTO	287	0	117	0	170
	20,126	37,208	41,528	767	16,573
Graduation Classes:					
Prior Year's Class	2,567	0	0	(2,567)	0
Class of 2008	1,283	598	1,620	(261)	0
Class of 2009	91	9,296	7,162	1,614	3,839
Class of 2010	193	610	18	0	785
Class of 2011	1,389	210	42	(1,389)	168
	5,523	10,714	8,842	(2,603)	4,792

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance End of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Vocational Groups:					
FFA	6,732	44,177	48,185	45	2,769
FCCLA	149	4,253	4,129	(45)	228
	<u>6,881</u>	<u>48,430</u>	<u>52,314</u>	<u>0</u>	<u>2,997</u>
Yearbook:					
Annual	5,082	7,442	6,641	225	6,108
	<u>5,082</u>	<u>7,442</u>	<u>6,641</u>	<u>225</u>	<u>6,108</u>
Student Councils:					
HS Student Council	283	794	900	0	177
MS Student Council	234	143	141	0	236
	<u>517</u>	<u>937</u>	<u>1,041</u>	<u>0</u>	<u>413</u>
JR/SR Awards:					
Awards	467	100	2,146	2,453	874
Middle School Fund Raiser	1,907	8,563	9,272	0	1,198
	<u>2,374</u>	<u>8,663</u>	<u>11,418</u>	<u>2,453</u>	<u>2,072</u>
Elementary:					
Elementary Field Trip	115	0	366	269	18
	<u>115</u>	<u>0</u>	<u>366</u>	<u>269</u>	<u>18</u>
Band/Chorus/Art:					
Art Trip	133	88	0	0	221
Music Trip	7,532	18,952	11,867	0	14,617
Instrumental Music	0	0	500	500	0
Vocal Music	0	0	218	218	0
Elem Music Fund Raiser	582	1,313	1,116	(269)	510
	<u>8,247</u>	<u>20,353</u>	<u>13,701</u>	<u>449</u>	<u>15,348</u>
Other Accounts:					
Miscellaneous	8,914	44,363	33,149	(13,695)	6,433
Interest	0	2,816	0	(2,816)	0
Timber	33	765	265	250	783
Camps	3,506	28,186	29,040	91	2,743
	<u>12,453</u>	<u>76,130</u>	<u>62,454</u>	<u>(16,170)</u>	<u>9,959</u>
Total	<u>\$ 79,107</u>	<u>245,127</u>	<u>244,112</u>	<u>(2,613)</u>	<u>77,509</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,348,093	1,825,892	2,274,413	2,215,502	2,128,583
Tuition	287,073	205,594	157,034	211,635	250,447
Other	435,878	977,751	404,421	292,025	366,257
Intermediate sources	0	0	0	3,500	9,534
State sources	4,184,634	4,012,375	3,881,688	3,824,180	3,711,395
Federal sources	354,877	350,165	366,308	990,892	1,022,247
Total	<u>\$ 7,610,555</u>	<u>7,371,777</u>	<u>7,083,864</u>	<u>7,537,734</u>	<u>7,488,463</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,116,372	2,080,081	2,111,738	2,011,434	1,861,672
Special instruction	1,361,384	1,373,325	1,375,313	1,183,551	1,701,382
Other instruction	1,118,937	1,155,003	1,097,039	1,010,720	587,880
Support services:					
Student services	128,839	137,913	137,510	185,335	156,971
Instructional staff services	245,886	210,221	176,916	148,074	112,165
Administration services	659,815	719,398	659,791	673,989	749,866
Operation and maintenance of plant services	590,346	545,868	570,804	500,877	442,197
Transportation services	434,587	401,404	375,953	390,472	260,144
Non-instructional programs	374	0	24,190	355,901	443,482
Other expenditures:					
Facilities acquisitions	741,155	68,395	146,308	443,849	782,391
Long-term debt:					
Principal	145,000	140,000	135,000	130,000	125,000
Interest	137,025	142,975	148,712	154,238	159,450
AEA flow-through	245,664	239,906	232,901	226,161	229,347
Total	<u>\$ 7,925,384</u>	<u>7,214,489</u>	<u>7,192,175</u>	<u>7,414,601</u>	<u>7,611,947</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	44,210
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	152,858 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 08	4,647
			<u>201,715</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1093-G	192,038
TITLE I SCHOOL IMPROVEMENT FOLLOW-UP BUDGET	84.010A	FY 08	14,382
			<u>206,420</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES(TITLE V PROGRAM)	84.151	FY 08	1,343
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	6,166
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	49,329
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 08	4,837
BEDFORD COMMUNITY SCHOOL DISTRICT: VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	11,442
GREEN VALLEY AREA EDUCATION AGENCY 14: SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 08	39,624
ENHANCING EDUCATION THROUGH TECHNOLOGY(E2T2)	84.318	FY 08	2,293

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA DEPARTMENT OF EDUCATION:			
LEARN AND SERVE AMERICA			
SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	FY 06	220
LEARN AND SERVE AMERICA			
SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	FY 07	1,000
LEARN AND SERVE AMERICA			
SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	FY 08	10,000
			<u>11,220</u>
DEPARTMENT OF HOMELAND SECURITY:			
PUBLIC ASSISTANCE GRANT (FEMA DISASTER ASSISTANCE)	97.036	FY 08	<u>5,593</u>
TOTAL			<u>\$ 539,982</u>

*Includes \$25,346 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Central Decatur Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Central Decatur Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central Decatur Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 17, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central Decatur Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Central Decatur Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Decatur Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Central Decatur Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Central Decatur Community School District's financial statements that is more than inconsequential will not be prevented or detected by Central Decatur Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Central Decatur Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Decatur Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Central Decatur Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Central Decatur Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central Decatur Community School District and other parties to whom Central Decatur Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Central Decatur Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2009

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Central Decatur Community School District

Compliance

We have audited the compliance of Central Decatur Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Central Decatur Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Central Decatur Community School District's management. Our responsibility is to express an opinion on Central Decatur Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Decatur Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Central Decatur Community School District's compliance with those requirements.

In our opinion, Central Decatur Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Central Decatur Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Central Decatur Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Decatur Community School District's internal control over compliance.

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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a material weakness.

Central Decatur Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Central Decatur Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central Decatur Community School District and other parties to whom Central Decatur Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2009

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Report

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - Clustered Programs:
 - CDFA Number 10.553 - School Breakfast Program
 - CDFA Number 10.555 - National School Lunch Program
 - CDFA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Central Decatur Community School District did not qualify as a low-risk auditee.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. More specific examples of these instances of questioned items and recommendations are as follows:

Currently, donations from Box Tops for Education are recorded in the Elementary Music Fundraiser account in the Student Activity Fund. Box Top donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

The District receives money for use of facilities when hosting district and regional events. Currently the District's practice is to receipt rents for hosting district and regional events into the Activity Fund. Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

Response - We will henceforth receipt Box Tops and rent into the General Fund.

Conclusion - Response accepted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CDFA Number 10.553 - School Breakfast Program
CDFA Number 10.555 - National School Lunch Program
CDFA Number 10.559 - Summer Food Service Program for Children
Federal Award Year: 2008
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I Grants to Local Educational Agencies
Federal Award Year: 2008
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion - Response accepted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-08 Certified Budget - District expenditures for the year ended June 30, 2008, did not exceed the amount budgeted.

IV-B-08 Questionable Disbursements - We noted during our audit that the District gave gift cards to individual students from the Student Activity Fund as incentive prizes for good behavior. Gift cards as incentive prizes do not appear to meet the guidelines for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will review and make necessary adjustments to comply.

Conclusion - Response accepted.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Frost, Board President Owner of Leon Napa Auto Parts	Auto Parts	\$2,346
Dan Christensen, Teacher Owns Christensen Mowing	Purchased Service	\$16,250

In accordance with the Chapter 279.7A of the code of Iowa, the above transaction with the board member does not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Mr. Christensen does not appear to represent a conflict of interest.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The bank has been contacted, and we are now receiving both the front and back of each cancelled check.

Conclusion - Response accepted.